Food Beverage & Entertainment Assessments

GETTING YOUR FB&E OPERATIONS IN SHAPE AND ON TRACK

INTRODUCTION

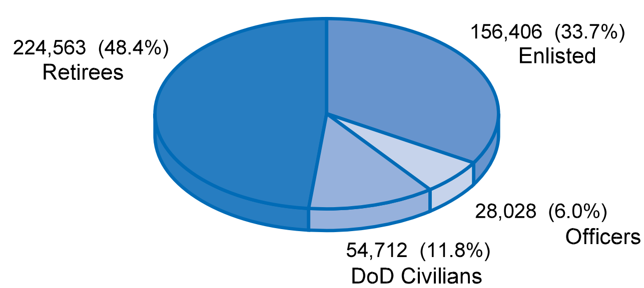
Over the past year, the U.S. Army Community and Family Support Center (CFSC), in coordination with major commands, AAFES, installation MWR staffs and private industry hospitality experts, has conducted a series of comprehensive Food, Beverage and Entertainment (FB&E) Assessments. The goal of the assessment process is to arm the Commander with a sensible plan for providing value-perceived dining, entertaining and community alternatives for soldiers, families, employees and visitors to the installation. The objective is to develop a long-term strategic plan for FB&E facilities and programs that an installation commander can use for planning financial investments, program and concept changes that are market-based, as well as physically and operationally feasible. To date, twelve installations have participated in the FB&E assessment and strategic planning process. This document is designed to help commanders who did not have the benefit of an FB&E assessment formulate action plans to solve common problems that might exist within their installation's food and beverage program. It will also present general food and beverage trends and lifestyle habits that were identified through the studies, and assist in doing some in-house analysis of food, beverage and entertainment activities.

HOW THE FB&E INFORMATION WAS COLLECTED

Installation MWR, AAFES, essential dining and contracted food and beverage operations were reviewed, using a series of interviews, mystery shopper visits, focus groups and patron surveys. Historical operations and facility conditions were examined to gain an understanding of operational challenges. The demand for food and beverage concepts and services in terms of patron needs, desires and potential use of facilities was analyzed. On and off-post competitors were studied in terms of price/value relationships, customer base and other evaluating criteria. Finally, a strategic plan was

Size of Population Studied

Total: 463,709



developed which recommended facilities and programs for closure, consolidation, concept conversion and operational improvements.

DEMOGRAPHICS

Approximately 250 FB&E facilities were reviewed. Out of a population of 463,700 personnel at the installations visited, more than 7,500 active duty, DOD civilians and retirees completed the surveys, which is a highly valid sample. The survey findings were strengthened by numerous focus groups held at each installation. Extensive interviews with facility managers, installation master planners and other command representatives were also conducted.

MARKET ANALYSIS

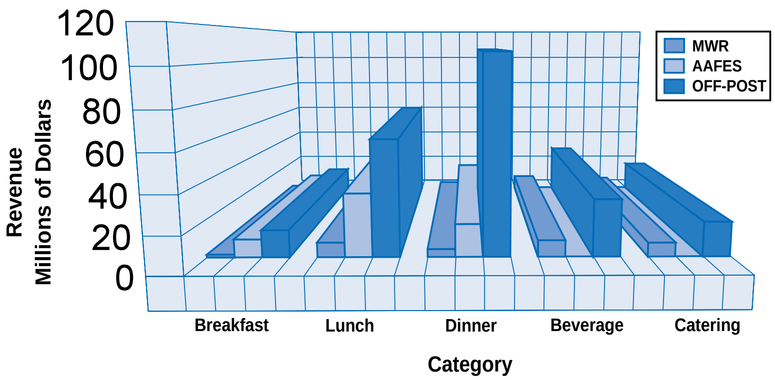
The military as a whole forms a significant market for food and beverage services. It is unfortunate that much of the money spent on FB&E is spent off-post. In the installations studied, approximately 10% of every dollar spent goes to MWR facilities, 20% to AAFES and the remainder (70%) goes off-post. These percentages would generally be expected to hold true for most installations, although they are dependent on the development of food and beverage outlets around the post, as well as the cost of living for the location.

The per capita spending for food and beverage products and services nationwide in 1994 was $903. Although the military market displays a range of spending, officers and civilians are generally on par with the economy. The enlisted are considered to have the most discretionary income. They are typically single with low debt obligations. They spend a few dollars over the national average. Although Officers, predominantly with families, earn more than the enlisted they usually have less discretionary income. Civilian and retiree spending is normally lower in and around military installations. This can be attributed predominantly to lower incomes, multiple family members, the higher use of low-cost on-post alternatives and larger instances of eating at home.

It is important to note that enlisted personnel are both a substantial part of the total population as well as the largest per capita spending entity, as illustrated at right.

Market Share Analysis: On and Off-Post

Revenue FY 1994: Total $324,682,526



	Breakfast	Lunch	Dinner	Beverage	Catering	Total
MWR	$1,566,586	$7,915,909	$4,293,529	$8,910,277	$7,578,417	$30,264,716
AAFES	$9,685,141	$33,998,266	$17,709,331	$140,000	$100,000	$61,632,738
OFF-POST	$14,577,649	$62,249,646	$106,435,733	$30,769,041	$18,753,001	$232,785,070
TOTAL	$25,829,376	$104,163,821	$128,438,593	$39,819,318	$26,431,418	$324,682,526

LIFESTYLES

The profile of the Army has changed significantly over the last ten years. There are more soldiers with families.

- Many view the Army as a nine-to-five job.
- A considerable majority live off-post and show no enthusiasm for returning to post when their work is completed.
- Deglamorization of alcohol has effectively discouraged drinking on military installations. This has resulted in the steady decline of beverage sales on-post. Most soldiers have access to transportation and would rather travel some distance for evening socialization than run the risk of receiving a DWI on-post.

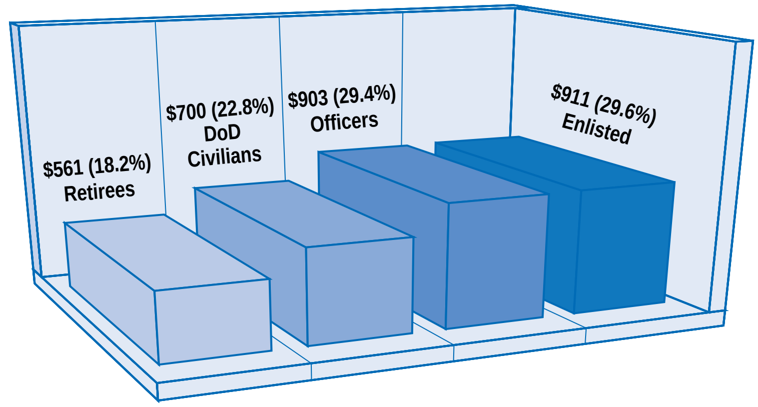
ANALYSIS BY MEAL PERIOD

Outside the gates of stateside installations, you will find that a wide-variety of food choices, including most fast food and casual dining national chains, are readily available. Ethnic food, particularly Mexican, Chinese and Italian continue to grow in popularity. Delivery and drive-thru services are in demand. An analysis by meal period reveals the following general findings in eating habits.

BREAKFAST

- Focus groups and surveys reveal that soldiers and civilians either skip breakfast or grab a convenient product and eat it on-the run.
- On-post facilities capture about 44% of the overall breakfast market. The breakfast market is spilt on-post approximately 14% for MWR outlets and 86% in AAFES facilities.
- The total breakfast market for the installations studied is estimated at $25.8 M. Off-post facilities capture about $14.5 M, or 56% of this market.

Average Per Capita Spending



- Most of the on-post breakfast market is provided by national brand fast food outlets with drive-thrus.

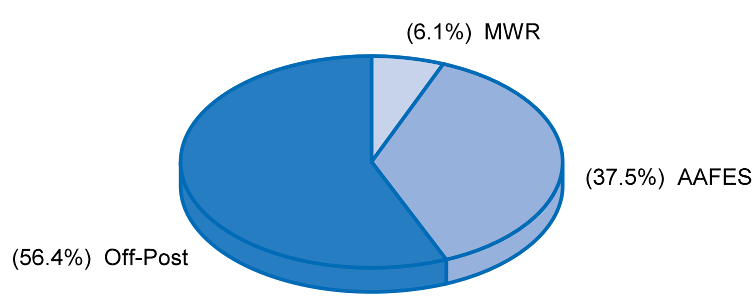
Breakfast Opportunities

Opportunities exist in the form of establishing convenient fast food drive-thru outlets on high traffic roads. Bagel bakeries, fast food co-branding with gas stations and convenience stores, and coffee shops, like Starbucks Coffee, are very popular current trends.

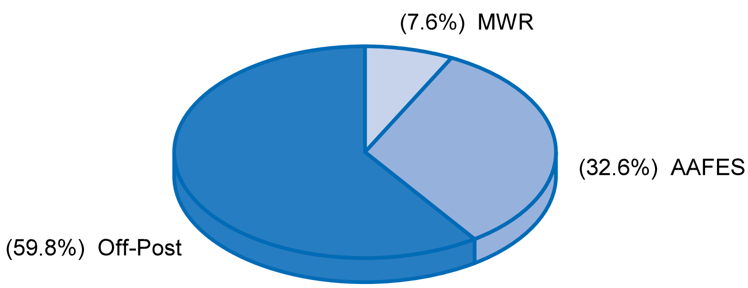
LUNCH

- Quick convenient service is critical, as most personnel have lunch time constraints.
- Those with transportation find popular off-post alternatives that offer

Breakfast



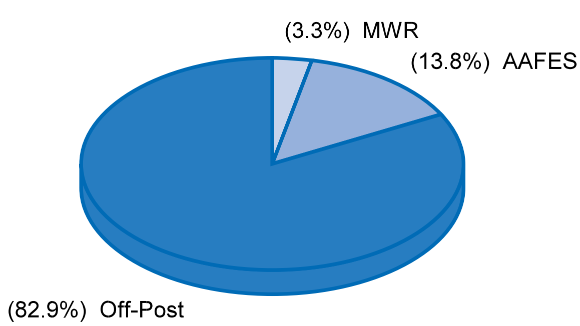
Lunch



high value for the price (national fast foods, ethnic restaurants, all-you-can-eat buffets).

- MWR facilities have a larger share than at breakfast, however are still outsold by AAFES facilities, almost 5 to 1. The on-post facilities capture approximately 40% of the total market. The market is estimated to be $104 M for the installations studied.
- Focus groups reveal the perception that on-post facilities have poor food quality, service and variety.
- The lunch market is dominated on-post by national brand fast food outlets like Burger King, KFC and Popeyes, that offer convenience, speed and good value for the price.

Dinner



Lunch Opportunities

The opportunity to develop better operational systems to increase convenience is critical. Service and production lines may need to be reconfigured to improve speed of service. Offer limited menus specializing in fewer items. Reduce internal competition among all FB&E facilities. Rectify the duplication of offerings at some MWR facilities. Investigate the feasibility of adding a high value buffet where market demand is sufficient to support it. Delivery, take-out and pre-ordering services by fax or phone should be developed where appropriate. There is little doubt that facilities with a recognized brand name attract more traffic and many opportunities for conversion exist. The unfortunate perceptions of poor food quality, service and image need to be addressed with professional training in customer relations, suggestive selling techniques and the appropriate publicity.

DINNER

- The current trend is moving away from fine dining and toward casual themed restaurants and quick service operations.
- Dinner is eaten at home during the week.
- For weekend dining, the popular choice is an off-post national brand family restaurant.
- The overall dinner market is estimated at $128.4M. On-post facilities capture a very small percentage (17%) of this demand. MWR and AAFES facilities together attract only about $20M, or about 16% of this spending.
- The dinner market is mainly dominated by off-post family restaurants,

pizza and steak houses and low cost ethnic foods like Mexican and Chinese.

- The major cause for the low capture, revealed in focus group sessions, is the strong resistance to return to post once the work day is done as there are many alternative eating choices outside the post.
- The other major need often cited is to escape the military environment after duty hours.

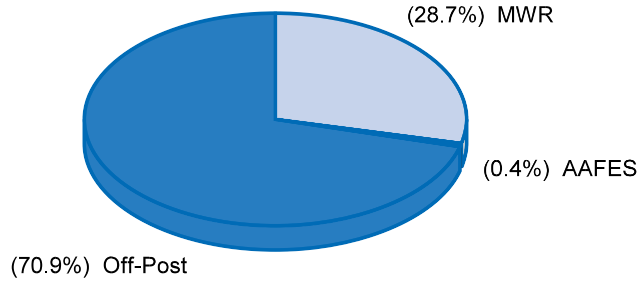
Dinner Opportunities

There is little opportunity to expand the on-post dinner market for off-post diners. The on-post capture rate, however, may be increased by attracting on-post dwellers. Opportunities exist in converting traditional facilities into modern entertainment centers that offer a variety of food and entertainment alternatives, all available under one roof. The combination of programs would be determined after a study of consumer preferences, and the competitive market, as well as the physical potential of the facility. With the majority of the market being enlisted, it would be beneficial to examine the feasibility of converting facilities to nationally recognized branded concepts. Other popular draws include adding neighborhood pubs in recreational facilities, like bowling centers, and developing sports bars.

CATERING

- Survey results indicate that installations attract 28-30% of the catering market available. At most installations there is opportunity to capture a greater share of this market.

Catering

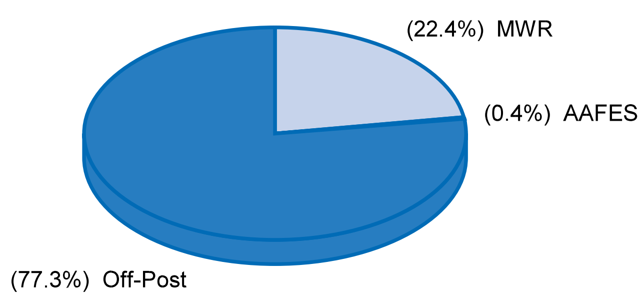


- Competition is fierce for smaller functions that can be accommodated by off-post hotels or restaurants that are perceived to be offering varied menu selections and better quality of food and service at competitive prices.

Catering Opportunities

Clever remodeling, menu and brochure development, establishing quality service and amenities, and selling a new image will increase the post's catering market share. The general trend is towards a single-facility catering and conference center that will serve to accommodate this lucrative but under-served market. It is highly

Beverage



recommended that all bookings for catered events be coordinated through a central sales office. This should be handled by a team of experienced food and beverage professionals.

BEVERAGE AND ENTERTAINMENT

- The beverage and entertainment establishments are usually well developed around the post. Many offer a respite from the military atmosphere. Sports bars and neighborhood pubs are well-patronized, despite strong discouragement of alcohol consumption.

CONSUMER PREFERENCE RESEARCH

The most popular dining and entertainment concepts identified through consumer preference survey results, are ranked below in order of popularity and patronage.

Most Popular and Patronized Concepts

FOOD CONCEPTS	BEVERAGE & ENTERTAINMENT
Fast Food Burgers	*Neighborhood Pub*
Pizza Restaurants	*Sports Bar*
Delicatessans	*Night Club*
Chinese	*Franchise Club*
Family Restaurants	*Live Music*

Factors Determining Choice of Restaurant

BREAKFAST	LUNCH	DINNER
1. Food Quality	*1. Speed of Service*	*1. Price*
2. Price	*2. Price*	*2. Food Quality*
3. Speed of Service	*3. Food Quality*	*3. Service & Cleanliness*

Reasonable success can be expected from activities that introduce these popular theme concepts in a non-military atmosphere, provided the quality of food, beverage and entertainment is competitive and the atmosphere unique.

The factors for determining the choice of restaurant, which were obtained via consumer preference research, are unique by meal period. A quick meal, often eaten on the go, is the usual trend at breakfast. At lunch-time, convenience is of utmost importance with a good price/value relationship. The changing demographics, for example, more married personnel and many with children, make price an important factor when eating out at dinner. It is important to note that the factors of most importance to the customer are often the precise areas that the mystery shopper has identified immediate problems. The following list represents the most recurrent challenges revealed by the mystery shopper services.

COMMON MYSTERY SHOPPER FINDINGS

1. **Guest Service:** Generally customer service training lacking in most areas. No suggestive selling techniques. No management visibility.
2. **Food Quality:** Food quality is mediocre. Menu selection not creative.
3. **Decor & Signage:** Decor outdated. Poor directional, facility and interior signage in most MWR facilities.
4. **Merchandising:** Poor display of food and beverage items. Menu-boards poor quality and unappealing.

Your local marketing department should provide support in developing and administering patron surveys and focus groups. If you need additional assistance in this area contact CFSC headquarters.

BOTTOM LINE RESULTS

The results of the FB&E assessment and strategic planning projects should produce a significant increase in profits to the installations studied, if the recommendations are implemented. The following chart illustrates the growth in revenues and net profit before depreciation (NIBD) that may be expected as a result of the implementation of respective recommendations at each installation. The percentage change in projected revenues for AAFES facilities is similar to that expected of MWR facilities, although the dollar volume is greater.

REVENUE

	Historic	Prospective	$ Change	% Change
MWR	$30,264,718	$40,262,020	$ 9,997,302	33.0%
AAFES	$61,632,738	$79,720,752	$18,088,014	29.3%
TOTAL	$91,897,456	$119,982,772	$28,085,316	30.6%

NIBD

	Historic	Prospective	$ Change	% Change
MWR	$995,727	$ 6,681,384	$ 5,685,657	571.0%
AAFES	$11,436,506	$17,197,538	$ 5,761,032	50.4%
TOTAL	$12,432,233	$23,878,922	$11,446,689	92.1%

Overall, one sees a large increase in the net profits for MWR facilities, which have been under-performing. As MWR facilities strengthen their operations they can be expected to contribute a larger portion of the overall income from food and beverage activity.

Historically, the on-post dollar was split 33 cents to 67 cents between MWR and AAFES facilities, respectively. This ratio is not expected to change significantly with the estimated results. However, the important point to note is the overall improvement in total revenue dollars, and particularly in the NIBD. MWR facilities will begin to contribute a far larger scale in profits than in the past. The specific bottom line figures will vary by installation, but prospective installations can almost always expect a considerable enhancement.

The successful implementation of the FB&E recommendations on the installations studied should cause an improvement in the range of 30% in total revenues. It should also be noted that when changes and improvements are implemented to increase market-capture and revenues, the dividend (.004 of revenue) that is paid by AAFES to the installation for MWR programs also increases.

HARD DECISIONS

- Most active duty personnel find little value in club membership.
- The majority of the market, particularly junior officers and enlisted personnel, support the move to turn traditional clubs into all-rank themed restaurants or multi-functional facilities that may include catering and community events,

food and beverage, retail outlets and recreational programming.

- The lack of a market for a product or a facility concept should motivate commanders to look for other alternatives, as well as examine the benefit of closure.

SOLUTIONS FOR A CHANGING ENVIRONMENT

To be prepared for the modern post environment, sophisticated market demands and a changing personnel profile, commanders have a variety of tools at their disposal. Listed below is a set of programs and services available to the Command, each intended to analyze, redress and optimize a particular aspect of the installation's FB&E operations. Results will differ from installation to installation, however, a considerable improvement in operations, profits and post morale can be expected.

- Have MWR, AAFES, and other installation food and beverage management conduct an informal FB&E assessment. Utilize your installation's marketing department for assistance. If you are interested in a professional full scale FB&E assessment for your installation, CFSC can support you in this effort.
- Implement a mystery shopper service (surprise customer visits) to check service, food and program quality, facility maintenance and sanitation.
- Implement cooperative training programs in customer service, food preparation and marketing to develop and maintain standardized procedures installation-wide. FB&E assessments have shown that there is little coordination and no common quality in products and services among food and beverage activities on an installation.
- Develop one strategic plan for all FB&E facilities with the cooperative efforts of each of your FB&E program managers.
- Re-examine the necessity for membership dues.
- Examine benefits of consolidated advertising for all FB&E programs organized by AAFES and MWR facilities.
- For installations with FB&E sales over $500,000 consider engaging a full time Food and Beverage Manager to oversee planning, training, and quality assurance efforts.

US ARMY COMMUNITY AND FAMILY SUPPORT CENTER

For additional information regarding this report, branded theme concepts or to request an FB&E assessment for your installation, please contact **CFSC, Business Programs Directorate** (DSN 221-7134) or Com: (703) 325-7134.

MWR

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